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REPORT TO
161992
THE CONGRESS OF THE UNITED STATES

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OPPORTUNITIES FOR SAVINGS
THROUGH USE OF
SPARE GOVERNMENT-OWNED COMMUNICATIONS CIRCUITS
IN EUROPE

DEPARTMENT OF DEFENSE



BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES

SEPTEMBER 1967

9/22/67

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-161992

SEP 22 1967

To the President of the Senate and the
Speaker of the House of Representatives

The General Accounting Office has examined into the utilization of communications circuits in the Department of Defense's European communications network, made proposals for substantial savings, and suggested new procedures for the Department to follow in determining future communications needs. Our finding and conclusions and the Department's comments thereon are the subjects of this report.

We examined into the use made of 228 communications circuits leased from commercial carriers in and between Germany and the United Kingdom. In our opinion, the traffic carried by 64 of these leased circuits could have been routed over spare, and available, United States Government-owned circuits at substantial savings.

We found that the failure of the Department to so route this traffic had resulted from its policy of ascertaining the availability of Government-owned circuits only before a commercial circuit was to be leased. No reviews were made thereafter to periodically assess the availability of Government-owned circuits. The potential for these savings may have been revealed had periodic reviews been made.

In commenting on our findings, the Deputy Assistant Secretary of Defense (Supply and Services) agreed that the Department's controls over the use of communications circuits in Europe had not been adequate and that leasing costs might have been reduced if the identified circuits had been canceled and the traffic otherwise routed.

We have been advised that a program has been initiated for annual reviews of communications systems in Europe. Such reviews are to be performed in all overseas areas where leased and Government-owned circuits coexist.

We believe that the corrective actions planned by the Department of Defense will, if properly implemented, improve its management of

communications in Europe. We plan, as part of our continuing review of Department of Defense activities, to follow the actions taken.

Ten of the 64 circuits were canceled following discussion of our finding with Department officials. The Department did not consider it prudent to cancel the remaining 54 circuits until the circuit requirements of its planned worldwide Automatic Voice Network became known.

Since the first Automatic Voice Network switching centers are scheduled for activation no earlier than November 1968, significant savings can be realized by canceling, where possible, those leased circuits whose traffic can now be accommodated on the Government-owned circuits. We are recommending that the Department of Defense study the 54 circuits discussed in this report to determine which circuits can be canceled now rather than reserved for future possible use in the Automatic Voice Network.

We are reporting this matter to the Congress to point out the corrective actions planned by the Department and the need for additional corrective measures to ensure greater utilization of available Government-owned facilities.

The need for improved management controls of communications in the Department of Defense is further demonstrated in our report to the Congress on "Savings from More Economical Use of Communication Facilities Between Alaska and the United States Mainland," dated August 30, 1967.

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of Defense; the Secretary of the Army; and the Secretary of the Air Force.



Comptroller General
of the United States

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REPORT ON
OPPORTUNITIES FOR SAVINGS
THROUGH USE OF
SPARE GOVERNMENT-OWNED COMMUNICATIONS CIRCUITS
IN EUROPE
DEPARTMENT OF DEFENSE

INTRODUCTION

The General Accounting Office has made a selective examination into the utilization of existing United States Government-owned communications systems and the necessity for extensive leasing of communications circuits in Europe. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review was directed toward ascertaining whether selected leased circuits could be canceled by use of spare capacity of circuits in the Government-owned systems. It included a selection of 228 circuits leased at an annual cost of about \$1,250,000 which represented about 15 percent of the total annual cost of leasing circuits for the Air Force and Army in and between Germany and the United Kingdom. Our review did not include circuits leased by the United States Navy because the Navy did not manage any Government-owned communications systems in the European area.

Our field work was performed during the period October 1965 through February 1967. Our review was limited to matters that appeared to need corrective action and therefore did not extend to all aspects of the matter.

Internal audits performed by the Air Force Auditor General; the Army Audit Agency; the Defense Contract Audit Agency; the United States Army Strategic Communications Command Internal Review; and the United States Army, Europe, Internal Review have not included the matters covered by this report.

BACKGROUND

The United States Army and Air Force use extensive communications systems and circuits in the European, North African, and Middle Eastern areas. However, most of the communications facilities are concentrated in the European area.

The principal Government-owned system in Europe is a microwave (radio relay) system which provides the main communications link for most of the Army and Air Force elements. This system is commonly referred to as the Joint European Microwave System (JEMS).

Air Force installations in the United Kingdom are served by a Government-owned radio relay system which also provides a communications link with units located in the central European area.

As part of the Government-owned systems, thousands of voice, data, and teletype circuits form a vast communications network linking the various United States military installations. A circuit is defined as a communications link between two or more points that traverses communications channels on one or more systems. In addition to the Government-owned systems, about 3,800 circuits are available to the Army and Air Force in Europe through leases with foreign telecommunication organizations at an annual estimated cost of \$16 million. Of this amount, approximately \$8.5 million was expended for leased circuits in and between Germany and the United Kingdom.

The Government-owned communications systems in Europe are operated by the United States Army Strategic Communications Command-Europe (USASCC-E) and the United States Air Force Communications Service through its European-African-Middle Eastern Communications Area (EAME) headquarters. The Commanding Generals of USASCC-E and EAME serve as the Deputy Chief of Staff, Communications and Electronics (C&E), United States Army Europe (USAREUR), and the Deputy Chief of Staff, Communications, United States Air Forces in Europe (USAFE), respectively, and provide staff planning and supervision for C&E operations in USAREUR and USAFE.

Management control for the JEMS was vested primarily in USASCC-E and EAME, whereas management control of the system in the United Kingdom was vested in the Defense Communications Agency-Europe (DCA-E). However, as of April 1, 1966, the JEMS was

included in the Defense Communications System, with DCA-E as the primary communications manager in Europe. USAREUR/USASCC-E and USAFE/EAME will be referred to as Army and Air Force, respectively, throughout this report.

The principal officials of the Department of Defense, the Department of the Army, and the Department of the Air Force responsible for administration of the activities discussed in this report are listed in appendix I.

FINDING AND RECOMMENDATION

OPPORTUNITY TO AVOID COSTS IN LEASING COMMUNICATIONS CIRCUITS IN EUROPE

We examined into the use made of 228 communications circuits leased from commercial carriers in and between Germany and the United Kingdom. In our opinion, the traffic carried by 64 of these leased circuits could have been routed over Government-owned circuits having spare capacity at substantial savings.

We found that the failure of the Department of Defense to route this traffic over the Government-owned circuits had resulted from the Department's policy of ascertaining the availability of Government-owned circuits only before a commercial circuit was to be leased. No reviews were made thereafter to periodically assess the availability of Government-owned circuits. We believe that the potential for these savings may have been revealed had periodic reviews been made.

After our finding was discussed with agency officials in Europe, 10 circuits leased at an annual cost of about \$19,000 were canceled. We were told, however, that, because of the expected establishment of the Automatic Voice Network (AUTOVON), no additional leased circuits would be canceled. Since the first AUTOVON switching centers are scheduled for activation no earlier than November 1968, we believe that, if there is still spare capacity on Government-owned circuits, significant savings can be realized by canceling, where possible, those leased circuits whose traffic can be accommodated on the Government-owned circuits.

Transfer of traffic from leased circuits to Government-owned circuits

The Air Force, the Army, and the DCA-E appear to have followed a standard operating procedure whereby they reviewed the existing capacity of the Government-owned circuits for possible routing of traffic only when a circuit was to be leased. We found that no subsequent reviews had been performed to determine whether spare capacity existed on the Government-owned circuits and whether traffic to be routed on leased circuits could be transferred to such spare capacity.

We were able to identify, among the 228 leased circuits reviewed, 64 circuits which, in our opinion, could have been canceled at the time of our review if their traffic had been routed over the Government-owned circuits. These 64 circuits had an estimated annual lease cost of about \$382,000. This amount comprised \$333,000 applicable to 35 leased circuits managed by the Air Force, \$12,000 applicable to eight leased circuits managed by the Army, and \$37,000 applicable to 21 leased circuits managed by DCA-E. Installation costs of about \$800 for the leased circuits have been considered in the estimate reported above. We have been advised that any costs associated with using Government-owned circuits would also be insignificant. The military services are not charged for the cancellation of leased circuits.

Our proposed cancellation of the 35 Air Force-leased circuits involved utilization of the spare capacity of the JEMS circuits and the additional capacity that would have been available if the traffic on certain circuits of the Government-owned systems had been routed onto leased circuits and the spare circuits thus created had been interconnected with existing spare circuits. This procedure would have created a new lease of a short-haul circuit, but it would have allowed the termination of the lease of a more expensive, long-haul circuit by providing space on Government-owned circuits for traffic normally carried by the long-haul circuit.

Our sampling of the Army's utilization of the Government-owned communications systems was limited to those spare circuits which paralleled leased circuits. We believed that it was not necessary to demonstrate in regard to the Army that, in addition to parallel spare utilization, the circuitous routing utilization described above could be identified, since the Air Force and the Army jointly managed the JEMS and since neither service had review procedures for identifying opportunities for the actions proposed in this report.

Our proposal that traffic normally carried by leased circuits be routed over Government-owned circuits managed by the DCA-E in the United Kingdom is presented to demonstrate that the centralized management of circuits, as exercised by the DCA-E, without adequate review procedures will not provide the maximum utilization of Government-owned systems.

So that a review of a communications system can be performed, it is necessary to consider the leased circuits and the

Government-owned circuits as they appear at one point in time. It should be kept in mind, however, that the leased circuits and the Government-owned circuits are in a constant state of flux. Existing leased circuits are canceled and new circuits are leased daily. This fluctuation is also true of the Government-owned circuits.

Spare capacity is utilized and created daily. Therefore, situations affecting the physical characteristics of the communications systems do not negate the need for a recurring review of circuits by the agencies involved so as to properly utilize Government-owned circuits and to reduce leasing costs, since the circuits will always be in a state of change whether caused by normal or major changes in requirements.

After the completion of our field work, we learned that the United States had been informed that all of its Armed Forces would have to be removed from France. As a result, although we have reviewed the management of communications in France, we have not included in this report discussion of possible cancellation of leased circuits in or running through France.

Potential savings through cancellation
of Air Force-leased circuits in and
between Germany and the United Kingdom

Our review of the Government-owned communications systems and the leased circuits under Air Force management included circuits in Germany and international circuits between Germany and the United Kingdom. We reviewed, in detail, a total of 93 circuits leased at an annual cost of \$1,019,000 and identified 35 leased circuits which, in our opinion, could have been canceled with estimated annual savings of about \$333,000.

As of October 25, 1965, we were able to identify 29 leased circuits which possibly could have been canceled and whose traffic could have been routed over spare capacity of the existing Government-owned circuits. This action would have resulted in possible annual savings of about \$184,000. In addition, we identified numerous Government-owned short-haul circuits whose traffic, in our opinion, could have been routed over leased circuits. Such action would have created spare capacity on the Government-owned circuits. Those newly created spare circuits in the Government-owned systems possibly could then have been interconnected with other spare

circuits to eliminate 10 additional leased circuits, with estimated net annual savings in leasing costs of \$189,000.

We discussed with DCA-E officials and Air Force officials in Europe the possibility of transferring traffic from the above leased circuits to Government-owned circuits having spare capacity. We were told that, of the 39 proposed circuit routings, one could not be accomplished because the circuit had to be leased as directed by operational planning and three could not be accomplished because the necessary commercial entrance capability was lacking at several of the terminals. The annual savings applicable to the remaining 35 leased circuits were estimated at \$333,000.

The Air Force informed us that a special study group had been formed as a result of our review, which would examine these circuits to determine which leased circuits could be canceled by placing the required traffic on the Government-owned circuits.

Subsequently, we were informed by Air Force officials that, although our proposals were considered feasible, no action was planned on any of our proposed lease cancellations because of the requirements of the forthcoming AUTOVON and because of the requirement that all circuit routings be coordinated with DCA-E. A brief description of AUTOVON and its effect on our proposals is included on pages 10 and 11 of this report.

We were informed by Air Force communications officials that our review had provided a basis for better utilization of the existing Government-owned systems. The Air Force also agreed that the demonstrated savings in the cost of leased circuits appeared to warrant their conducting similar reviews on a recurring basis. As of April 1, 1966, such reviews became a DCA-E responsibility.

Potential savings through cancellation
of Army-leased circuits in Germany

Our review of the Army's utilization of leased circuits and Government-owned circuits having spare capacity in Germany was limited to 13 voice circuits, leased at an annual cost of about \$42,500, that paralleled Government-owned spare circuits as of November 10, 1965. For the 13 leased circuits, we believed that eight could have been canceled and that their traffic could have been routed over Government-owned circuits with annual savings of about \$12,000.

The Army canceled three of the 8 circuits and directed that traffic normally carried by those circuits be routed over spare capacity of the Government-owned circuits. This action resulted in annual savings in leasing costs of about \$6,700. Army officials stated that the five remaining circuits would be retained for use in a reconfiguration of the network that was necessary due to the removal of United States Armed Forces from France. However, further cancellations by the Army were halted because of AUTOVON requirements.

The Army stated that the current procedure of reviewing existing Government-owned circuits for spare capacity for routing of traffic before a circuit is leased, and the corollary procedure of reviewing existing leases for traffic susceptible to routing over the Government-owned circuits when communications systems are activated or expanded, were considered adequate.

As explained previously, our sampling of the Army circuits was limited since the Army followed the same management practices as the Air Force. Our review resulted in the conclusion that recurring reviews should be performed to determine whether existing leased circuits could be canceled and whether traffic carried by them could be routed over existing Government-owned circuits. As of April 1, 1966, DCA-E became responsible for circuit routing. DCA-E informed us that it agreed with our conclusions and would attempt to include in its normal work schedules reviews of the type discussed in this report.

Potential savings through cancellation
of leased circuits managed in the
United Kingdom by DCA-E

Our review of the leased circuits and the Government-owned communications systems under the management responsibility of DCA-E was limited to leased circuits in the United Kingdom. We selected 29 locations served by the Government-owned systems in the United Kingdom and identified 122 voice circuits serving those locations that were leased at an annual cost of about \$189,000.

As of December 24, 1965, we were able to identify 26 leased circuits which, in our opinion, could have been canceled and whose traffic could have been routed over spare capacity of the existing Government-owned circuits. This action would have resulted in possible annual savings of about \$41,000. DCA-E officials stated that transferring the traffic normally carried by the leased circuits to the Government-owned circuits was possible, providing the necessary terminal equipment was available. Until a circuit was ordered for installation and was completely checked with each end terminal, DCA-E could not say whether terminal equipment was available. A DCA-E official informed us that costs of such terminal equipment would be minor.

DCA-E advised us that it could not cancel 14 of the leased circuits and route their traffic over spare circuits in the Government-owned systems because the spare circuits were required for AUTOVON. However, DCA-E attempted to cancel the 12 remaining leased circuits. In December 1966, DCA-E informed us that they had been able to cancel seven of the 12 circuits for estimated annual savings of about \$12,400. DCA-E stated that the five remaining circuits could not be canceled because it would not be technically or economically feasible to do so. Therefore, as of December 24, 1965, our proposal applied only to 21 leased circuits, with estimated annual savings of \$37,000.

DCA-E officials stated that the methods we had employed to ascertain the leased circuits which could have been canceled would help them to achieve improved system utilization. We were also informed that DCA-E would attempt to incorporate into its normal work schedules, reviews of the type discussed in this report, and to thereby increase its overall effectiveness through fuller utilization of assets of the Defense Communications System.

United States European Command (USEUCOM) officials stated that they supported the policy of making every reasonable effort to route traffic requiring the use of short-haul circuits via leased circuits when doing so would permit the military services to route traffic requiring the use of long-haul circuits over the Government-owned circuits and to thereby reduce leasing costs. They stated that this position would be promulgated to component commands and to DCA-E.

Automatic Voice Network

On January 22, 1966, the Commander in Chief, USEUCOM, had informed the major component commanders in Europe that, because of the planned AUTOVON system, they must coordinate all circuit actions with DCA-E. DCA-E informed us that, until AUTOVON planning was completed, it would not attempt any cancellation of leased circuits and routing of the traffic normally carried by them over the Government-owned circuits. DCA-E stated that it was reserving all circuits and spare capacity until all AUTOVON requirements were known. This action halted any further cancellations by the Army and the Air Force of the leased circuits discussed in this report.

AUTOVON, as planned, is to be the single worldwide telephone network for the Department of Defense. Its implementation in Europe had been scheduled to begin in November 1966 with activation of the first four AUTOVON automatic switching centers. At the time of our review, additional switching centers were planned with the estimated final completion for all centers scheduled for October 1967.

Since our review, however, the AUTOVON implementation schedule has been revised twice. The current schedule calls for the activation of the first four switches in November 1968. We were informed by a DCA-E official that even this schedule might not be met because of the problems created by the pullout of United States Armed Forces from France and the difficulties being experienced by the contractor in manufacturing the switches.

Although we were informed by DCA-E officials that AUTOVON would utilize a large portion of the spare capacity and the circuits then available in the Government-owned systems in Europe and, in addition, would require a considerable number of new leased circuits, they were unable to provide us with the total planned AUTOVON circuit requirements. We were informed that, because of

AUTOVON, no cancellation action would be taken on 54 of the leased circuits discussed in this report.

We estimate that, because spare capacity available on the Government-owned circuits was not being used to route the traffic carried by 54 leased circuits, the Department could incur costs of as much as \$514,000, which could be avoided. This estimate diminishes, of course, as the AUTOVON cutover date approaches and also if any of the 54 circuits cannot be canceled for reasons such as those cited in a letter dated June 22, 1967, from the Department. (See app. II, pp. 1 and 2.) On the other hand, the estimate can increase if there is further slippage in the AUTOVON cutover date.

Our computation has been based on the period between the time of our final discussions with agency officials in early 1967 and 90 days prior to November 1968, the date currently scheduled for the AUTOVON cutover. Washington officials of the Defense Communications Agency have advised us that circuits for AUTOVON are required 90 days prior to the initial operating capability (cutover) date.

As discussed previously, the military services are not charged for the cancellation of a leased circuit and are charged a relatively insignificant amount for the installation of a leased circuit. Thus, these facts should provide additional impetus to canceling leased circuits and using the Government-owned systems rather than reserving leased circuits for possible future use in AUTOVON.

Agency comments and our conclusions

We brought our finding to the attention of the Secretary of Defense in a draft report dated April 19, 1967. We proposed that immediate steps be taken to direct the communications agencies to promptly initiate continuous reviews of communications systems with the objective of routing traffic normally carried by leased circuits over Government-owned circuits whenever possible. We proposed also that such reviews be performed in all overseas areas where leased and Government-owned circuits coexist.

In a letter dated June 22, 1967 (app. II), the Deputy Assistant Secretary of Defense (Supply and Services) commented on our finding. The Department of Defense (DOD) agreed substantially with our conclusions and proposals. Specifically, with respect to the conclusions, DOD agreed that management controls over the use of communications circuits in Europe had not been adequate to ensure the most economical usage of available spare capacity of Government-owned circuits and that leasing costs might have been reduced by approximately \$382,000 annually if the identified circuits had been canceled at the time.

The DOD did not, however, agree with our conclusion that it was prudent to currently cancel leased circuits and route traffic onto the spare capacity of Government-owned circuits. The DOD stated that circumstances involved in the move from France were not conducive to an absolute cancellation at that time of the leased circuits identified in our report. The DOD stated that several factors other than availability governed the allocation of military communications circuits.

Our conclusion in the draft report had been that we believed that the failure to currently cancel leased circuits and route the traffic onto spare capacity of Government-owned circuits was neither prudent nor consistent with the stated intent of the DOD to reduce costs whenever practicable and to obtain and pay only for those communications facilities which were necessary.

As previously stated, the expected establishment of AUTOVON was the reason furnished to us for not attempting any cancellation of leased circuits and routing of traffic normally carried by them over the Government-owned circuits. In its letter, DOD introduced other factors which, it stated, might preclude cancellation of some

of these circuits. We considered those factors at the time of our review and concluded that 54 circuits could be canceled. We acknowledge that conditions might have changed since then and believe that DOD should study the 54 circuits discussed in this report to determine which can be canceled now.

The DOD stated that it was in general agreement with our proposal for continuing reviews of communications systems in all overseas areas where leased and Government-owned circuits coexist, with the objective of routing traffic normally carried by leased circuits over Government-owned circuits whenever possible. DOD stated, however, that, in accomplishing this, it believed that continuous reviews as envisioned by the draft report would not be economically feasible. It stated further that, subsequent to our review, the Defense Communications Agency had initiated a program for recurring annual reviews of communications systems in Europe with the objective of the draft report in mind and had directed that such reviews be performed in all overseas areas where leased and Government-owned circuits coexist.

Circuits reserved for AUTOVON were to be included in the reviews and arrangements were being made to permit interim use of these circuits while retaining the integrity of the network. The DOD stated that it believed that these reviews would best satisfy the objectives of our draft report and ensure the most economical utilization possible for leased and Government-owned communications circuits in overseas areas.

Although our draft report proposed continuous reviews of communications systems, we did not mean to imply that such reviews must necessarily be made on a daily basis. We recognize that a review on that basis could be impracticable and economically unfeasible, as the DOD has indicated. We believe that the DOD plan to perform annual reviews is a step which should improve management of communications systems where leased and Government-owned circuits coexist. We plan in our continuing reviews to examine into the effectiveness of the procedures adopted.

Recommendation

Since the first AUTOVON switching centers are scheduled for activation no earlier than November 1968, significant savings can be realized by canceling, where possible, those leased circuits whose traffic can now be accommodated on the Government-owned circuits. We therefore recommend that DOD study the 54 circuits discussed in this report to determine which circuits can be canceled now rather than reserved for future possible use in AUTOVON.

APPENDIXES

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE,
THE DEPARTMENT OF THE ARMY,
AND THE DEPARTMENT OF THE AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF THE ACTIVITIES
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>			
SECRETARY OF DEFENSE:			
Robert S. McNamara	Jan.	1961	Present
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):			
Paul R. Ignatius	Dec.	1964	Present
Thomas D. Morris	Jan.	1961	Dec. 1964
<u>DEPARTMENT OF THE ARMY</u>			
SECRETARY OF THE ARMY:			
Stanley R. Resor	July	1965	Present
Stephen Ailes	Jan.	1964	July 1965
Cyrus R. Vance	July	1962	Jan. 1964
Elvis J. Stahr, Jr.	Jan.	1961	June 1962
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):			
Dr. Robert A. Brooks	Oct.	1965	Present
Daniel M. Luevano	July	1964	Oct. 1965
Paul R. Ignatius	May	1961	Feb. 1964

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE,
THE DEPARTMENT OF THE ARMY,
AND THE DEPARTMENT OF THE AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF THE ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

Tenure of office	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Harold Brown	Oct. 1965	Present
Eugene M. Zuckert	Jan. 1961	Sept. 1965

ASSISTANT SECRETARY OF THE AIR FORCE (IN-
STALLATIONS AND LOGISTICS):

Robert H. Charles	Nov. 1963	Present
Joseph S. Imirie	Apr. 1961	Sept. 1963



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

INSTALLATIONS AND LOGISTICS

22 JUN 1967

Mr. Hassell B. Bell
Associate Director, Defense Division
United States General Accounting
Office
Washington, D. C. 20548

Dear Mr. Bell:

We have reviewed your preliminary draft report entitled "Management of Communication Circuitry by the Department of Defense in Europe," which you forwarded for our comments with your letter of 19 April 1967 (OSD Case #2591).

We agree substantially with the conclusions and recommendations of the draft report. Specifically, with respect to the conclusions it is agreed:

a. Management controls over the use of communications circuits in Europe were not adequate to assure the most economical usage of available spare capacity in U. S. Government-owned systems.

b. Circuit lease costs might have been reduced by approximately \$382,000 annually if the identified circuits had been canceled at the time.

However, we do not agree with the conclusion that it is prudent to currently cancel leased circuits and move communications to the spare capacity of U. S. Government-owned circuits. Circumstances involved in the move from France are not conducive to an absolute cancellation at this time of the leased circuits identified in your report. Several factors other than simple availability govern the allocation of military communication circuits. Leased circuits may be used for primary or alternate routes required for survivability and reliability of circuits or redundancy of equipment and for dual access to major military headquarters. In addition, use of leased circuits may be required in

conformance with country-to-country communications agreements, e.g., the Agreement Regarding the Status of Forces in the Federal Republic of Germany (TIAS 5351), Article 60, or in accordance with the system of NATO reserve circuitry for emergency use. Finally, in some instances transfer of circuits may be impossible because of common carrier regulations concerning interconnection; because of technical characteristics of certain U.S. Government-owned circuits; and because of the time required to reinstate commercial circuits after cancellation.

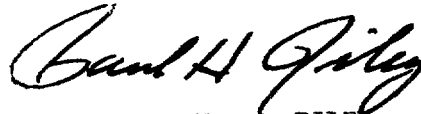
We are in general agreement with the recommendations for continuing reviews of communications systems in all overseas areas where leased and Government-owned systems coexist with the objective of routing traffic carried by leased circuits onto Government-owned circuits whenever possible. In accomplishing this, however, we believe continuous reviews as envisioned by the draft report would not be economically feasible considering the dynamic nature of communications circuit utilization, restoral and the large number of circuits involved. As indicated by the amount of time occupied in the review of only a sample of the circuits involved by the GAO team and service personnel assisting, considerable manpower would be required for continuous updated reviews of the very large number of Government-owned circuits and approximately 4,000 leased circuits in overseas areas.

Further, the shifting of U.S. requirements back and forth between U. S. Government-owned channels and foreign government leased channels on a continuous basis would not be feasible considering the manpower required to make these changes and the time the changes would remain in effect before again being shifted by a new set of circumstances.

Subsequent to the audit, the Defense Communications Agency has initiated a program for annual recurring review of communications systems in Europe with the objective of the report in mind and has directed that such reviews be performed in all overseas areas where there is a mixture of leased and Government-owned circuits. Circuits reserved for AUTOVON are included and arrangements are being made to permit interim use of these circuits while retaining the integrity of the network.

We believe these reviews will best satisfy the objectives of your report to assure the most economical utilization possible for leased and U. S. Government-owned communications circuits in overseas areas.

Sincerely,



PAUL H. RILEY

Deputy Assistant Secretary of Defense
(Supply and Services)